



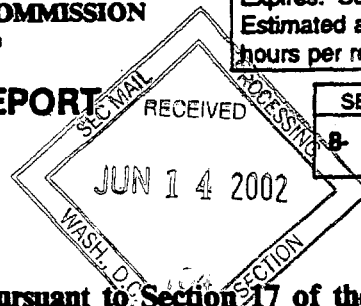
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

UFG-20-02

OMB APPROVAL	
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## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HOLLOWAY & ASSOCIATES, INC.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

ONE MILL PLACE, SUITE 101

(No. and Street)

EASTON

MARYLAND

21601

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MAURICE F. WALLACE CPA

410-822-9306

(Area Code — Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WALLACE & COMPANY CPA'S

(Name — if individual, state last, first, middle name)

11 BAY STREET, P O BOX 1496

EASTON

MARYLAND

21601

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUN 26 2002

THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

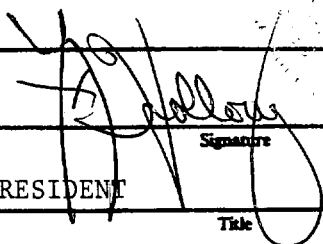
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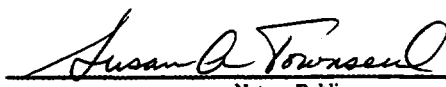
UFG-20-02

## OATH OR AFFIRMATION

I, F DAVID HOLLOWAY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HOLLOWAY & ASSOCIATES INC, as of DECEMBER 31, ~~XX~~ 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
\_\_\_\_\_  
PRESIDENT  
\_\_\_\_\_  
Title  
2/20/02  
DATE

  
Notary Public  
My Commission Expires 10/1/2003

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (x) (o) STATEMENT OF CASH FLOWS

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**HOLLOWAY & ASSOCIATES, INC.**  
**ANNUAL AUDIT FOCUS REPORT**  
**YEAR ENDED DECEMBER 31, 2001**

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#### **INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5**

14 - 15

# Wallace & Company, CPA's

11 Bay Street  
P.O. Box 1496  
Easton, Maryland 21601  
Phone: 410.822.9306  
Fax: 410.822.9309

The Board of Directors  
Holloway & Associates, Inc.  
One Mill Place, Suite 101  
Easton, Maryland 21601-1438

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial condition of Holloway & Associates, Inc. as of December 31, 2001, and the related statements of income, changes in stockholder's equity, the computation of net capital requirement and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements, including the net capital computation, were prepared as required by the Securities and Exchange Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holloway & Associates, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wallace + Company CPAs*

Easton, Maryland  
February 13, 2002

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HOLLOWAY & ASSOCIATES, INC.

N3

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### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12/31/2001

SEC FILE NO. 8-32650

Consolidated

Unconsolidated X

Total

#### ASSETS

#### Allowable

#### Non-Allowable

1. Cash	\$ 8,558	200	\$ 8,558	750
2. Receivables from brokers or dealers:				
A. Clearance account		295		
B. Other		300	\$ 550	810
3. Receivables from non-customers	15,877	355	12,329	600
4. Securities and spot commodities owned, at market value:				
A. Exempted securities		418		
B. Debt securities		419		
C. Options		420		
D. Other securities		424		
E. Spot commodities		430		850
5. Securities and/or other investments not readily marketable:				
A. At cost	\$ 130			
B. At estimated fair value		440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A. Exempted securities	\$ 150	460	630	880
B. Other securities	\$ 160			
7. Secured demand notes:		470	640	890
market value of collateral:				
A. Exempted securities	\$ 170			
B. Other securities	\$ 180			
8. Memberships in exchanges:				
A. Owned, at market	\$ 190			
B. Owned, at cost			650	
C. Contributed for use of the company, at market value			660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	680	920
Other assets, PREPAID EXPENSES		535	3,026	735
12. TOTAL ASSETS	\$ 24,435	540	\$ 15,355	740
				39,790
				940

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SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

HOLLOWAY & ASSOCIATES INC.

as of 12/31/01

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable.....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account.....	1114	1315	1560
B. Other.....	1115	1305	1540
15. Payable to non-customers.....	1155	1355	1610
16. Securities sold not yet purchased, at market value.....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other.....	2,594 1205	1385	2,594 1685
18. Notes and mortgages payable:			
A. Unsecured.....	1210		1690
B. Secured.....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$.....	970		
2. Includes equity subordination (15c3-1 (d)) of ..... \$.....	980		
B. Securities borrowings, at market value:...		1410	1720
from outsiders \$.....	990		
C. Pursuant to secured demand note collateral agreements:.....		1420	1730
1. from outsiders: \$.....	1000		
2. Includes equity subordination (15c3-1 (d)) of ..... \$.....	1010		
D. Exchange memberships contributed for use of company, at market value.....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes.....	1220	1440	1750
20. TOTAL LIABILITIES.....	\$ 2,594 1230	\$ 1450	\$ 2,594 1760

#### Ownership Equity

21. Sole proprietorship.....	\$ 1770
22. Partnership (limited partners).....	\$ 1020 1780
23. Corporation:	
A. Preferred stock.....	1791
B. Common stock 1,000 AUTHORIZED, ISSUED AND OUTSTANDING, NO PAR VALUE.....	1,000 1792
C. Additional paid-in capital.....	7,818 1793
D. Retained earnings.....	28,378 1794
E. Total.....	37,196 1795
F. Less capital stock in treasury.....	1796
TOTAL OWNERSHIP EQUITY.....	\$ 37,196 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY.....	\$ 39,790 1810

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BASIC FILERS ONLY

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

# FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT PART IIA

**BROKER OR DEALER**

**HOLLOWAY & ASSOCIATES, INC.**

as of 12/31/01

## COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	37,196	3480
2. Deduct ownership equity not allowable for Net Capital .....	Δ		3490
3. Total ownership equity qualified for Net Capital .....		37,196	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....			3520
B. Other (deductions) or allowable credits (List) .....			3525
5. Total capital and allowable subordinated liabilities .....	\$	37,196	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) .....	\$	15,355	3540
B. Secured demand note deficiency .....			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3610
7. Other additions and/or allowable credits (List) .....		15,355	3620
8. Net capital before haircuts on securities positions .....	Δ \$	21,841	3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....	Δ		3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities .....			3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
10. Net Capital .....	\$	21,841	3750

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SEE ACCOMPANYING NOTES AND AUDITORS' REPORT



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

**BROKER OR DEALER**

**HOLLOWAY & ASSOCIATES INC.**

as of 12/31/01

### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	0	3755
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000	3760
14. Excess net capital (line 10 less 13) .....	\$	16,841	3770
15. Excess net capital at 1000% (line 10 less 10% of line 13) .....	\$	21,582	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition .....	\$	2,594	3790
17. Add:			
A. Credits for immediate credit .....	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (L11) .....	\$	3820	
19. Total aggregate indebtedness .....	\$	2,594	3830
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	11.88%	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%	0	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

22.	2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debts .....	\$	3870
23.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
24.	Net capital requirement (greater of line 22 or 23) .....	\$	3760
25.	Excess net capital (line 10 less 24) .....	\$	3910
26.	Net capital in excess of:		
	5% of combined aggregate debt items or \$120,000 .....	\$	3920

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**NOTES:**

- A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debts if alternative method is used.
- B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

**BROKER OR DEALER**      HOLLOWAY & ASSOCIATES, INC.

For the period (MMDDYY) from 1/1/01 **3932** to 12/31/01 **3933**  
Number of months included in this statement 12 **3931**

## STATEMENT OF INCOME (LOSS)

### REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$		<b>3935</b>
b. Commissions on listed option transactions			<b>3938</b>
c. All other securities commissions		<b>ANNUITIES</b>	<b>3939</b>
d. Total securities commissions		420,793	<b>3940</b>
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange			<b>3945</b>
b. From all other trading			<b>3949</b>
c. Total gain (loss)			<b>3950</b>
3. Gains or losses on firm securities investment accounts			<b>3952</b>
4. Profit (loss) from underwriting and selling groups			<b>3955</b>
5. Revenue from sale of investment company shares		<b>MUTUAL FUNDS</b>	<b>3970</b>
6. Commodities revenue		32,116	<b>3990</b>
7. Fees for account supervision, investment advisory and administrative services			<b>3975</b>
8. Other revenue		<b>INTEREST INCOME</b>	<b>3995</b>
9. Total revenue	\$	453,704	<b>4030</b>

### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	\$	168,807	<b>4120</b>
11. Other employee compensation and benefits		892	<b>4115</b>
12. Commissions paid to other broker-dealers			<b>4140</b>
13. Interest expense			<b>4075</b>
a. Includes interest on accounts subject to subordination agreements		<b>4070</b>	
14. Regulatory fees and expenses			<b>4195</b>
15. Other expenses		89,836	<b>4100</b>
16. Total expenses	\$	259,535	<b>4200</b>

### NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	194,169	<b>4210</b>
18. Provision for Federal income taxes (for parent only)			<b>4220</b>
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above			<b>4222</b>
a. After Federal income taxes of		<b>4238</b>	
20. Extraordinary gains (losses)			<b>4224</b>
a. After Federal income taxes of		<b>4239</b>	
21. Cumulative effect of changes in accounting principles			<b>4225</b>
22. Net income (loss) after Federal income taxes and extraordinary items	\$	194,169	<b>4230</b>

### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	22,864	<b>4211</b>
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

**BROKER OR DEALER**      **HOLLOWAY & ASSOCIATES, INC.**

For the period (MMDDYY) from 1/1/01 to 12/31/01

## STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$	33,690	4240
A. Net income (loss) .....		194,169	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....	\$	37,196	4290

## STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	\$	0	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	0	4330

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SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

**HOLLOWAY & ASSOCIATES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received From Commissions	\$ 442,557
Interest Received	202
Cash Paid to Suppliers and Employees	(256,348)
Cash Paid – Advances to Officer	<u>(189,062)</u>

NET CASH FROM OPERATING ACTIVITIES \$ (2,651)

NET CHANGE IN CASH (2,651)

CASH AND EQUIVALENTS AT 12/31/00 11,209

CASH AND EQUIVALENTS AT 12/31/01 \$ 8,558

Net Income 194,169

Adjustment to Reconcile Net Income to Net Cash Provided by

Operating Activities:

Distribution to Shareholder (190,663)

(Increase) Decrease in Assets:

Accounts Receivable (10,282)

Loan to Shareholder 939

Prepaid Expenses 1,867

Increase (Decrease) in Liabilities:

Accounts Payable 1,128

Accrued Liabilities 191

TOTAL ADJUSTMENTS (196,820)

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (2,651)

Non-Cash Items:

Distributions to Shareholder \$ 10,663

Supplemental Disclosures of Cash Flow Information:

Cash Paid for Interest Expense 0

Income Taxes Paid (See Notes to Financial Statements) 0

See Accompanying Notes and Auditors' Report

**HOLLOWAY & ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2001**

**NOTE 1.      FORM OF PRESENTATION**

These financial statements are presented as the Annual Audited Report Form X-17A-5, Part IIA, as required by the Securities and Exchange Commission. This information is required of brokers and dealers. Holloway & Associates, Inc. holds membership in the National Association of Securities Dealers, and, as such, is also required to file an annual report with that association.

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies are as follows:

Property and Equipment

The major groups of equipment consist of:

Machinery and Equipment	\$ 7,366
Furniture and Fixtures	<u>5,298</u>
	12,664
Less Accumulated Depreciation	<u>12,664</u>
TOTAL	<u><u>\$ 0</u></u>

Depreciation

Depreciation is provided primarily on accelerated methods, including IRS Code Section 179 deductions, used for federal income tax purposes over the applicable life of the depreciable asset. All fixed assets have been fully depreciated. Depreciation expense for 2001 was zero.

Income Taxes

The Company has elected to have its income taxed under Subchapter S of the Internal Revenue Code, which provides that, in lieu of corporate income taxes, the shareholder is taxed on his proportionate share of the Company's taxable income. Therefore, a provision or liability for federal or state income taxes is not included in these financial statements. In addition, deferred income taxes have not been calculated.

Minimum Net Capital Requirement

Effective July 1, 1994, the Company must maintain minimum net capital of \$5,000.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**HOLLOWAY & ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2001**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Management**

The Company invests its working cash balances in interest bearing accounts whenever possible. Cash accounts are adequately covered by FDIC insurance at the end of the calendar year.

**Risk Management**

The Company carries commercial general, property, employee, and liability insurance coverage. Insurance needs and coverage are reviewed periodically.

**NOTE 3.      LEASE AGREEMENTS**

The Company leases office space under a renewable operating lease, currently on a month-to-month basis. Office rental expense was approximately \$9,650 for the year ended December 31, 2001.

Minimum payment obligations under these leases for the next five years are as follows:

2002	\$ 9,650
2003	9,650
2004	9,650
2005	9,650
2006	<u>9,650</u>
TOTAL	<u>\$ 48,250</u>

**NOTE 4.      RECEIVABLES**

Receivables at December 31, 2001 consisted of:

Commissions Receivable	\$ 15,877
Interest Receivable From Shareholder	0
Note Receivable From Shareholder	<u>12,329</u>
TOTAL	<u>\$ 28,206</u>

**HOLLOWAY & ASSOCIATES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2001**

**NOTE 5.      RELATED PARTIES**

The 100% shareholder of the Company also operates an insurance business as a sole proprietorship. Secretarial services are provided to the Company from the sole proprietorship in exchange for the use of the office space. The Company and the sole proprietorship share auto and other expenses. Allocations for shared office expenses have been made between the Company and the sole proprietorship.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART II

BROKER OR DEALER

Holloway & Associates, Inc.

as of 12/31/01

### Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 ..... 4550
- B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained ..... 4550
- C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm: 4333 4570
- D. (k) (3)—Exempted by order of the Commission ..... 4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)
4600	4601	4602	4603	4604	4605
4610	4611	4612	4613	4614	4615
4620	4621	4622	4623	4624	4625
4630	4631	4632	4633	4634	4635
4640	4641	4642	4643	4644	4645
4650	4651	4652	4653	4654	4655
4660	4661	4662	4663	4664	4665
4670	4671	4672	4673	4674	4675
4680	4681	4682	4683	4684	4685
4690	4691	4692	4693	4694	4695
TOTAL \$			4699		

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTION
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

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SEE ACCOMPANYING NOTES AND AUDITORS' REPORT



**SUPPLEMENTAL SCHEDULE I**

**HOLLOWAY & ASSOCIATES, INC.  
RECONCILIATION OF AUDITED AND UNAUDITED  
COMPUTATION OF NET CAPITAL  
YEAR ENDED 12/31/01**

Net Capital Per Unaudited Focus Report as of 12/31/01	\$ 22,497
Adjustment of Receivables From Non-Customers (Line 355):	
Add Additional Commissions Receivable	72
Adjustment of Accounts Payable (Line 1205):	
Less Accounts Payable Adjustment	(666)
Less Accrued Liabilities	<u>(62)</u>
Net Capital Per Audited Focus Report as of 12/31/01	<u>\$ 21,841</u>

See Accompanying Notes and Auditors' Report

**SUPPLEMENTAL SCHEDULE II**

**HOLLOWAY & ASSOCIATES, INC.  
RECONCILIATION OF AUDITED AND UNAUDITED STATEMENT  
OF CHANGES IN OWNERSHIP EQUITY  
YEAR ENDED 12/31/01**

Total Ownership Equity Per Unaudited Focus Report as of 12/31/01	\$ 48,658
Change in Net Income	(799)
Distributions to Shareholder	<u>(10,663)</u>
 Total Ownership Equity per Audited Focus Report as of 12/31/01	 <u>\$ 37,196</u>

See Accompanying Notes and Auditors' Report

Board of Directors  
Holloway & Associates, Inc.  
Easton, Maryland

**INDEPENDENT AUDITORS' SUPPLEMENTARY**  
**REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY**  
**SEC RULE 17a-5**

In planning and performing our audit of the financial statements of Holloway & Associates, Inc. for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Holloway & Associates, Inc., including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g): (1) making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c-3(e); (2) making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) complying with the requirements for prompt payment for securities under section 8 of Regulations T of the Board of Governors of the Federal Reserve System; and (4) obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing the assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

*Wallace + Company CPAs*

Easton, Maryland  
February 13, 2002